

## Debt-loaded message

### Bankruptcy judge warns teens of credit card dangers

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With credit card debt rising among young people, a bankruptcy judge has gone on the offensive, warning San Diego teens that credit abuse can dog them for years.

Judge John Hargrove, chief judge of the federal bankruptcy court in San Diego, cautioned about 450 students at University City High School yesterday that running up credit card debt can hinder them when they enter the job market or when they apply for student loans in college.

"I've seen the problem as young people come through court," Hargrove said. "You hate to see young people dragging a pack of 40 or 50 pounds of debt behind them that might affect them in getting a job or a student loan."

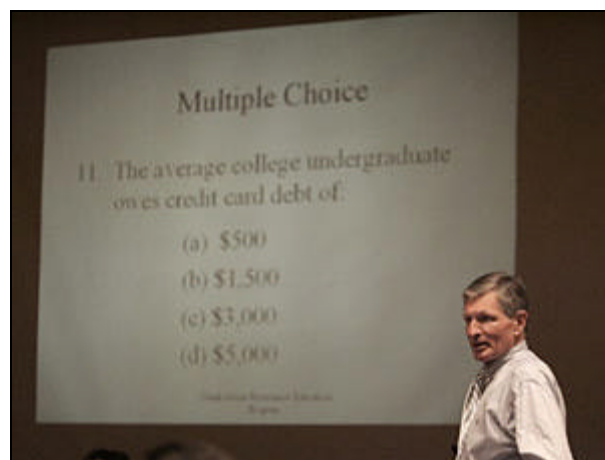
Hargrove said there were 1.5 million bankruptcy filings last year in the United States, and the fastest-growing group was people ages 18 to 24. He said the temptation for teens to use credit cards to buy what they want, whenever they want it, is growing.

"Abuse of credit cards is a serious problem for young people," he said.

Earlier this year, Hargrove introduced the Credit Abuse Resistance Education program in San Diego. CARE is a national program created three years ago by U.S. Bankruptcy Court Judge John Ninfo II in Buffalo, N.Y.

Hargrove said that because credit marketers often target teens, the court believes a preventive program is necessary. In recent weeks, Hargrove has given talks at three other San Diego County high schools and he plans more in coming weeks.

He has enlisted support from local bankruptcy attorneys and other bankruptcy judges in hopes of eventually offering credit card seminars at all high schools and colleges in the



HOWARD LIPIN / Union-Tribune  
Bankruptcy Court Judge John Hargrove, speaking yesterday at University City High School, cautioned students about credit card abuse.

county.

"We want to stop credit problems before they wind up in court," he said.

A recent study by Demos, a New York nonprofit research organization, found that credit card debt for people in the 18 to 24 age bracket climbed 104 percent between 1992 and 2001.

The study also reported that 71 percent of the people in that age bracket carry credit card balances from month to month, compared with 55 percent of all cardholders.

People in that age bracket also spend about 25 percent of their monthly income just on debt repayment, according to Demos.

Hargrove warned students that employers today often check credit reports on job applicants and said they might not be hired if an employer believes they have credit problems. In addition, he said some students seeking low-interest college loans have been rejected because of their debt load.

Lawyer Mark Miller caught the attention of the students when he told them if they only make the minimum monthly payment on a credit card with a \$4,000 balance at 18 percent interest, it would take 45 years to pay off.

Another lawyer, Jeffrey Cawdrey, cautioned students that credit card companies aggressively market to them, hoping to lure them with offers of free T-shirts or other gifts.

"The credit card business is a business," he said. "People who solicit you to take credit cards are not doing it because they are your friends. Why they are trying to get to you is to get interest payments. They want you to have balances that you carry over. That's how they make their money."

Hargrove said the average credit card debt of graduating college students is nearly \$3,000, and 21 percent carry more than that amount on a month-to-month basis.

The need for educating teens in how to manage credit cards is increasing as more young people gain access to them and as marketers continue to pursue younger customers, said Darrell Luzzo, senior vice president of JA Worldwide in Colorado Springs, Colo.

"The fact that kids have access to and use credit cards is not in and of itself a problem," Luzzo said. "But some of those kids don't understand what they are doing and we need to make them aware of what is going on before they find themselves deep in debt."

A Junior Achievement study of 1,065 teens in April found that 21 percent of 18- and 19-year-olds have credit cards.

"We even found that 6 percent of kids 13 and 14 use credit cards," Luzzo said. "You hope that their parents have properly instructed them in how to use those cards."

Brad Dolfo, a University City High senior, said he was surprised Tuesday when he got his first credit card solicitation in the mail, just six days after his 18th birthday.

"At first, I didn't know what it was," Dolkfo said. "After I saw what it was, I just threw it in the trash. I don't need a credit card right now."

But classmate Danielle Falcon, 18, is carrying her own credit card.

"My parents told me I needed to have one to establish credit," she said. "But I'm afraid to use it."

Falcon said she's watched as one of her friends cavalierly uses her credit card at Starbucks and other retailers.

"I could never do that," she said. "My card charges 15 percent interest."

Illustrating the aggressive marketing of credit cards, Miller recalled how he celebrates various milestones in his son's life and how he beamed the day his son got a letter saying he had been preauthorized for a credit card with a \$5,000 limit.

"My son was 7 years old at the time," Miller said.

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